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## FISCAL UPDATE Article

Fiscal Services Division

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### END OF SESSION — SF 2349 — ASSOCIATION HEALTH PLANS ACT

**Description.** [Senate File 2349](#) allows Employer Association Health Plans, a type of Multiple Employer Welfare Arrangement, to be established by bona fide associations of employers.

The Act also provides that health benefit plans sponsored by a nonprofit agricultural organization domiciled in the State will not be classified as health insurance, and will not be subject to regulation by the Commissioner of the Iowa Insurance Division. The health benefit plans are to be provided through a self-funded arrangement and administered by a domestic third-party administrator that holds a certificate of registration issued by the Commissioner.

**Fiscal Impact.** The fiscal impact as a result of the establishment of employer association health plans cannot be determined at this time. However, the Department of Revenue estimates that health benefit plans sponsored by a nonprofit agricultural organization will have the following Iowa individual income tax implications for approximately 20,000 previously uninsured participants:

- Previously uninsured taxpayers participating in one of the proposed health benefit plans may choose to file a federal Schedule F (Profit or Loss from Farming) form once covered under a health benefit plan, which would reduce those taxpayers' collective Iowa individual income tax liability by an estimated \$4.9 million at the marginal tax rate of 4.9%.
- There is also a forecasted decrease in claimed medical expenses, as the decreased claim amount is expected to increase previously uninsured participating taxpayers' Iowa individual tax liability by \$1.2 million for tax year 2018.

Because coverage is assumed to start July 2018, the partial-year application of this negative fiscal impact for FY 2019 is \$1.8 million, and the full-year negative fiscal impact for FY 2020 is \$3.7 million.

Individuals with existing insurance who elect to purchase coverage under one of the proposed health benefit plans due to lower premiums will leave insurance companies that are required to pay the Iowa insurance premium tax on their premiums. The loss in tax revenue from these premiums is estimated to yield a \$700,000 decrease to the General Fund in FY 2020. However, this group is predicted to claim a lower health insurance premium deduction due to the lower premium amount under one of the proposed health benefit plans, and this would increase the collective individual income tax liability of this group by \$2.4 million. These two factors create a positive net General Fund fiscal impact of \$1.7 million in FY 2020.

The total net fiscal impact to the General Fund is estimated to be a reduction of approximately \$1.8 million in FY 2019 and a reduction of \$2.0 million in FY 2020.

**Table 1**  
**Association Health Plans Act**  
**Estimated Fiscal Impact to General Fund**

Health Benefit Plan Participants	FY 2019	FY 2020
20,000 Uninsured	\$ (1,821,068)	\$ (3,744,117)
4,000 Insured	0	1,744,836
<b>Total</b>	<b>\$ (1,821,068)</b>	<b>\$ (1,999,281)</b>

**Enactment Date.** The Act was approved by the General Assembly on March 27, 2018, and signed by the Governor on April 2, 2018.

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